

**GREEN HILLS AEA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2011**

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**GREEN HILLS AEA**

**OFFICIALS**  
**June 30, 2011**

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<i><b>NAME</b></i>	<i><b>TITLE</b></i>	<i><b>TERM EXPIRES</b></i>
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**Board of Directors**

Raymond Storm	Member	2011
Julie Wilken	Member	2013
Karen Thomsen	Member	2011
Richard Schenck	Vice Chairperson	2013
Nancy Coziahr	Member	2011
Ed Gambs	Chairperson	2011
Marland Gammon	Member	2011
Randy Brown	Member	2013
Kenneth Lee	Member	2013

**Agency**

Lane Plugge	Administrator	Indefinite
Linda Perdue	Board Secretary/ Administrative Assistant	Indefinite
Emily Nelson	Board Treasurer/Director, Finance	Indefinite

**GREEN HILLS AEA**

**AREA SERVED**  
**June 30, 2011**

<i>COUNTY</i>	<i>COMMUNITY SCHOOL DISTRICT</i>	<i>INDEPENDENT SCHOOL</i>
Adair	Nodaway Valley Orient-Macksburg	
Adams	Corning Prescott	
Cass	Atlantic CAM Griswold	
Clarke	Clarke Murray	
Crawford	IKM – Manning	
Decatur	Central Decatur Lamoni	
Fremont	Farragut Fremont-Mills Hamburg Sidney	
Harrison	Boyer Valley Logan-Magnolia Missouri Valley West Harrison Woodbine	
Mills	Glenwood East Mills	
Montgomery	Red Oak Stanton Villisca	

**GREEN HILLS AEA**

**AREA SERVED (Continued)**  
**June 30, 2011**

<i><b>COUNTY</b></i>	<i><b>COMMUNITY SCHOOL DISTRICT</b></i>	<i><b>INDEPENDENT SCHOOL</b></i>
Page	Clarinda Essex Shenandoah South Page	Clarinda Lutheran Schools
Pottawattamie	A-H-S-T Council Bluffs Lewis Central Riverside Treyner Tri-Center Underwood Walnut	Heartland Christian School Council Bluffs Catholic Schools
Ringgold	Diagonal Mount Ayr	
Shelby	Elk Horn-Kimballton Harlan	Shelby County Catholic School
Taylor	Bedford Clearfield Lenox	
Union	Creston East Union	Creston Catholic
Wayne	Mormon Trail	



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Green Hills AEA  
Council Bluffs, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Green Hills AEA (the "Agency") as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements listed in the table of contents. These financial statements are the responsibility of Agency management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Green Hills AEA at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U. S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011, on our consideration of Green Hills AEA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 11 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standard's Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Green Hills AEA's basic financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U. S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Schnurr & Company, LLP*

Fort Dodge, Iowa  
November 21, 2011



## **GREEN HILLS AEA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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Green Hills AEA (the "Agency") provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues were \$33,541,977 in fiscal year 2011 while General Fund expenditures were \$32,146,618. This resulted in an increase of \$1,395,359 in the Agency's fund balance.
- The General Fund balance increased primarily because the ARRA Stimulus program allowed state and local funds in Special Education to be saved to spend in future years.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of the Agency as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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### **REPORTING THE AGENCY'S FINANCIAL ACTIVITIES**

#### **Government-Wide Financial Statements**

The Government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Agency's assets and liabilities. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the Agency's net assets and how they have changed. Net assets – the difference between the Agency's assets and liabilities – are one way to measure the Agency's financial health or position. Over time, increases or decreases in the Agency's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's property tax base and the condition of its facilities, need to be considered.

In the Government-wide financial statements, the Agency's activities are divided into two categories:

- *Governmental activities:* Most of the Agency's basic services are included here, such as regular and special education instruction, student and instructional staff support services, and administration. Property tax, federal grants and state aid finance most of these activities.
- *Business-type activities:* The Agency charges fees for vending machine operations.

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the Agency's funds, focusing on its most significant or "major" funds – not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law or by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for major construction projects or to show that it is properly using certain revenues, such as federal grants.

The Agency has two kinds of funds:

- *Governmental Funds* account for most of the Agency's basic services. These funds focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. The Agency's governmental funds include the General Fund and the Special Revenue Fund.

The required governmental funds financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

### **REPORTING THE AGENCY'S FINANCIAL ACTIVITIES (Continued)**

#### **Fund Financial Statements (Continued)**

- *Proprietary Funds* account for services for which the Agency charges a fee. Proprietary funds are reported in the same way as the Government-wide statements. The Agency's enterprise fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The Agency had one enterprise fund in 2010/11, which included vending machine operations but has now contracted out that service, and the fund will cease to exist in 2011/12.
- The required proprietary funds financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

A summary reconciliation between the Government-wide financial statements and the fund financial statements follows the fund financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Agency's net assets at the end of fiscal year 2011 totaled approximately \$6.6 million. The analysis that follows provides a summary of the Agency's net assets at June 30, 2011 for the governmental and business-type activities.

<b>Condensed Statement of Net Assets</b>			
<b>(Expressed in Thousands)</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Current and other assets	\$ 7,826	\$ 4	\$ 7,830
Capital assets	2,879	-	2,879
<b>Total assets</b>	<b>10,705</b>	<b>4</b>	<b>10,709</b>
Long-term obligations	641	-	\$ 641
Other liabilities	3,468	-	3,468
<b>Total liabilities</b>	<b>4,109</b>	<b>-</b>	<b>4,109</b>
Net assets:			
Invested in capital assets, net of debt	2,878	-	\$ 2,878
Restricted	622	-	622
Unrestricted	3,096	4	3,100
<b>Total net assets</b>	<b>\$ 6,596</b>	<b>\$ 4</b>	<b>\$ 6,600</b>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

The following analysis shows net assets for the year ended June 30, 2011:

	Net Assets (Expressed in Thousands)		
	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues:			
Charges for service	\$ 1,657	\$ 1	\$ 1,658
Operating grants and contributions	16,465	-	16,465
General revenues:			
Property taxes	6,687	-	6,687
State aid	8,346	-	8,346
Juvenile home reimbursement	384	-	384
Unrestricted investment earnings	3	-	3
<b>Total revenues</b>	<b>33,542</b>	<b>1</b>	<b>33,543</b>
Program expenses:			
Instruction	3,194	-	3,194
Student support services	13,189	-	13,189
Instructional staff support services	7,133	-	7,133
General administration	3,145	-	3,145
Business administration	612	-	612
Plant operations and maintenance	999	-	999
Central and other support services	1,835	-	1,835
Community service	149	-	149
Pass Through to LEAs	2,171	-	2,171
Non-instructional programs	-	1	1
<b>Total program expenses</b>	<b>32,427</b>	<b>1</b>	<b>32,428</b>
Increase in net assets	1,115	-	1,115
Net assets beginning of year	5,481	4	5,485
<b>Net assets end of year</b>	<b>\$ 6,596</b>	<b>\$ 4</b>	<b>\$ 6,600</b>

Operating grants and contributions from local, state and federal sources account for 54.0% of the total governmental activities revenue while general revenues account for 46.0%. The Agency's expenses primarily relate to instruction, support services, and funds passed through to LEAs, which account for 79.2% of the total governmental activities expenses.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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### **GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

#### **Governmental Activities**

Revenues for governmental activities were \$33,541,977 and expenses were \$32,427,050. Net Assets increased \$1,114,927.

#### **Business-Type Activities**

Revenues of the Agency's business-type activities were \$559 and expenses were \$526. The Agency's business-type activities are vending machines operations. Revenues are from funds received from vending machine sales. Expenses are for payment of items purchased for resale in vending machines. The fund will cease to exist in 2011/12.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's governmental funds reported combined fund balances of \$4,357,958 at 6/30/11. Revenues exceeded expenditures by \$1,395,359, thereby increasing the Agency's fund balance. The primary reason revenue exceeded expenditures was due to revenue from the ARRA stimulus program.

#### **Governmental Fund Highlights**

- The Agency's increasing General Fund financial position is due primarily to the ARRA stimulus program.

#### **Proprietary Fund Highlights**

- Proprietary Fund net assets remained steady in 2010/11, and the fund will cease to exist in 2011/12.

### **BUDGETARY HIGHLIGHTS**

The Agency's Board of Directors annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure level, not at the fund or fund type level. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Over the course of the year, the Agency amended its annual operating budget one time to reflect additional revenue and expenditures associated with new grants and other information such as salary increases for staff, which were not available when the original budget was adopted. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the required supplementary information section of this report.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2011, the Agency had invested \$2,878,617, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, a media collection, vehicles and copy machines

The Agency had depreciation expense of \$492,442 in fiscal year 2011 and total accumulated depreciation of \$3,797,107 at June 30, 2011. More detailed information about capital assets is available in Note 4 to the financial statements.

#### **Long-term Debt**

At June 30, 2011, the Agency had \$641,000 in long-term liabilities outstanding, which is the Net OPEB obligation. More detailed information about the Agency's long-term liabilities is available in Note 5 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the Agency was aware of several existing circumstances that could significantly affect its financial health in the future:

- The Agency has experienced an annual decrease in the number of students enrolled in local districts for the past several years. That decrease is expected to continue, and decreased enrollment means decreased funding from the state.

The Iowa Legislature cut state aid to area education agencies by \$20,000,000 for 2011/12. The Agency's share is approximately \$1,500,000. While \$10,000,000 of those funds are expected to be returned in 2012/13, the level of funding from the 2012 Legislature remains somewhat uncertain.

- The Agency received ARRA stimulus funds from the Federal Government in 2009/10 and 2010/11. Those funds are now exhausted.
- Loess Hills AEA 13 and Green Valley AEA 14 merged on July 1, 2011 to form Green Hills AEA. The impact on services to students and schools is still being assessed.

### **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, Green Hills AEA, PO Box 1109, Council Bluffs, Iowa 51502.

**GREEN HILLS AEA**





## **BASIC FINANCIAL STATEMENTS**



**STATEMENT OF NET ASSETS**  
**June 30, 2011**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and pooled investments	\$ 5,007,572	\$ 4,494	\$ 5,012,066
Receivables:			
Accounts	165,015	-	165,015
State aid	465,964	-	465,964
Federal	1,307,589	-	1,307,589
Other	684,378	-	684,378
Prepaid expenses	141,983	-	141,983
Inventories	53,758	-	53,758
Capital assets, net of accumulated depreciation	2,878,617	-	2,878,617
<b>Total assets</b>	<b>10,704,876</b>	<b>4,494</b>	<b>10,709,370</b>
<b>Liabilities</b>			
Intergovernmental payable	13,967	-	13,967
Accounts payable	1,072,204	-	1,072,204
Accrued payroll	2,207,996	-	2,207,996
Other liabilities	69	-	69
Accrued compensated absences	119,142	-	119,142
Deferred revenue:			
Federal	7,509	-	7,509
Other	47,414	-	47,414
Long-term liabilities:			
Portion due or payable after one year:			
Net OPEB liability	641,000	-	641,000
<b>Total liabilities</b>	<b>4,109,301</b>	<b>-</b>	<b>4,109,301</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,878,617	-	2,878,617
Restricted for:			
Media materials	198,267	-	198,267
Special education instruction	101,219	-	101,219
Categorical aid carryover	322,194	-	322,194
Unrestricted (includes committed)	3,095,278	4,494	3,099,772
<b>Total net assets</b>	<b>6,595,575</b>	<b>4,494</b>	<b>6,600,069</b>
<b>Total liabilities and net assets</b>	<b>\$ 10,704,876</b>	<b>\$ 4,494</b>	<b>\$ 10,709,370</b>

See Notes to Financial Statements.

**GREEN HILLS AEA****STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2011**

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants and Contributions
<b>Functions/Programs:</b>			
Governmental Activities:			
Instruction	\$ 3,193,808	\$ 203,422	\$ 2,313,496
Student support services	13,188,933	725,517	8,429,449
Instructional staff support services	7,132,827	671,139	2,672,879
General administration	3,145,447	-	252,586
Business administration	611,753	56,899	-
Plant operations and maintenance	999,254	-	-
Central and other support services	1,834,901	-	477,737
Community service	149,319	-	148,338
Pass through to LEAs	2,170,808	-	2,170,808
<b>Total governmental activities</b>	<b>32,427,050</b>	<b>1,656,977</b>	<b>16,465,293</b>
Business-type Activities:			
Non-instructional programs:			
Enterprise fund	526	559	-
<b>Total business-type activities</b>	<b>526</b>	<b>559</b>	<b>-</b>
<b>Total</b>	<b>\$ 32,427,576</b>	<b>\$ 1,657,536</b>	<b>\$ 16,465,293</b>
General revenues:			
Property taxes			
State aid			
Juvenile home reimbursement			
Unrestricted investment earnings			
<b>Total general revenues</b>			
<b>Change in net assets</b>			
Net assets beginning of year			
Net assets end of year			
See Notes to Financial Statements.			

**Exhibit B**

<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (676,890)	\$ -	\$ (676,890)
(4,033,967)	-	(4,033,967)
(3,788,809)	-	(3,788,809)
(2,892,861)	-	(2,892,861)
(554,854)	-	(554,854)
(999,254)	-	(999,254)
(1,357,164)	-	(1,357,164)
(981)	-	(981)
-	-	-
(14,304,780)	-	(14,304,780)
-	33	33
-	33	33
(14,304,780)	33	(14,304,747)
6,687,364	-	6,687,364
8,345,459	-	8,345,459
383,920	-	383,920
2,964	-	2,964
15,419,707	-	15,419,707
1,114,927	33	1,114,960
5,480,648	4,461	5,485,109
\$ 6,595,575	\$ 4,494	\$ 6,600,069

## BALANCE SHEET - GOVERNMENTAL FUNDS

See Notes to Financial Statements.

**Exhibit C**

	<b>General</b>	<b>Special Revenue</b>	<b>Total</b>
<b>Liabilities and Fund Balances</b>			
Intergovernmental payable	\$ 11,616	\$ 2,351	\$ 13,967
Accounts payable	1,072,204	-	1,072,204
Accrued payroll	2,165,251	42,745	2,207,996
Accrued compensated absences	119,142	-	119,142
Other liabilities	69	-	69
Due to other funds	37,127	98,793	135,920
Deferred revenue:			
Federal	7,509	-	7,509
Other	47,414	-	47,414
<b>Total liabilities</b>	<b>3,460,332</b>	<b>143,889</b>	<b>3,604,221</b>
<b>Fund balances:</b>			
Nonspendable:			
Inventories and prepaid expenses	195,741	-	195,741
Restricted			
Categorical aid carryover	322,194	-	322,194
Media materials	198,267	-	198,267
Committed:			
Cash flow	1,500,000	-	1,500,000
Assigned:			
Assigned for subsequent year's expenditures	20,029	-	20,029
Unassigned	2,121,727	-	2,121,727
<b>Total fund balances</b>	<b>4,357,958</b>	<b>-</b>	<b>4,357,958</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,818,290</b>	<b>\$ 143,889</b>	<b>\$ 7,962,179</b>

**RECONCILIATION OF THE BALANCE SHEET--  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2011**

**Total governmental fund balances (page 14)** \$ 4,357,958

*Amounts reported for governmental activities in the Statement of Net Assets  
are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$6,675,724 and the accumulated depreciation is \$3,797,107. 2,878,617

Long-term liabilities, including the Net OPEB Liability, are not due and payable in the current period and, therefore, not reported in the government funds. (641,000)

**Net assets of governmental activities (page 13)** \$ 6,595,575

See Notes to Financial Statements.



**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES -- GOVERNMENTAL FUNDS  
Year Ended June 30, 2011**

	<b>General</b>	<b>Special Revenue</b>	<b>Total</b>
Revenues:			
Local sources	\$ 9,562,094	\$ 161,110	\$ 9,723,204
State sources	10,763,595	410,876	11,174,471
Federal sources	12,644,302	-	12,644,302
<b>Total revenues</b>	<b>32,969,991</b>	<b>571,986</b>	<b>33,541,977</b>
Expenditures:			
Current:			
Instruction	2,623,285	561,399	3,184,684
Student support services	13,067,477	-	13,067,477
Instructional staff support services	7,109,501	632	7,110,133
General administration	3,104,362	9,955	3,114,317
Business administration	607,828	-	607,828
Plant operations and maintenance	922,693	-	922,693
Central and other support services	1,820,340	-	1,820,340
Community services	148,338	-	148,338
Pass through to LEAs	2,170,808	-	2,170,808
<b>Total expenditures</b>	<b>31,574,632</b>	<b>571,986</b>	<b>32,146,618</b>
<b>Excess of revenues over expenditures</b>	<b>1,395,359</b>	<b>-</b>	<b>1,395,359</b>
Fund balance, beginning of year	2,962,599	-	2,962,599
Fund balance, end of year	<b>\$ 4,357,958</b>	<b>\$ -</b>	<b>\$ 4,357,958</b>

See Notes to Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES --  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011**

**Net change in fund balances - Total governmental funds (page 16)** \$ 1,395,359

*Amounts reported for governmental activities in the Statement  
of Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets. Capital outlay exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 308,754	
Depreciation expense	(492,442)	(183,688)

The accrual for the long-term portion of the early retirement obligation and other post employment benefits is not due in the current period and, therefore, is not reported in the governmental fund. However, such accrual is recorded as an expense in governmental activities. The early retirement obligation decreased in the current year and other postemployment benefits increased, as follows:

Early retirement obligation reduction for year ended 6/30/11	1,376	
Other postemployment benefits	(98,120)	(96,744)

**Net change in assets of governmental activities (page 13)** \$ 1,114,927

See Notes to Financial Statements.

**GREEN HILLS AEA****Exhibit G****STATEMENT OF NET ASSETS - PROPRIETARY FUND  
Year Ended June 30, 2011**

	<b>Enterprise Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,494
<b>Total assets</b>	<b>4,494</b>
<b>Liabilities</b>	
Accounts payable	-
<b>Net Assets</b>	
Unrestricted	4,494
<b>Total liabilities and net assets</b>	<b>\$ 4,494</b>

See Notes to Financial Statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
PROPRIETARY FUND  
Year Ended June 30, 2011**

	<u>Enterprise Fund</u>
Operating revenues:	
Charges for service	\$ 559
Operating expenses:	
Cost of merchandise sold	<u>526</u>
<b>Net income</b>	33
Net assets, beginning of year	<u>4,461</u>
Net assets, end of year	<u><u>\$ 4,494</u></u>

See Notes to Financial Statements.

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**Year Ended June 30, 2011**

	<b>Enterprise Fund</b>
Cash Flows from Operating Activities	
Cash received from users	\$ 559
Cash paid to suppliers	(560)
<b>Net cash (used in) operating activities</b>	<b>(1)</b>
Cash, beginning of year	4,495
Cash, end of year	<u><u>\$ 4,494</u></u>
 <b>Reconciliation of operating (loss) to net cash (used in) operating activities:</b>	
Operating increase	\$ 33
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Decrease in accounts payable	(34)
<b>Net cash (used in) operating activities</b>	<b><u><u>\$ (1)</u></u></b>

See Notes to Financial Statements.



## GREEN HILLS AEA

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Green Hills AEA (the Agency) is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 53 school districts and private schools in a 17-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### **Reporting Entity:**

For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Agency has no component units that meet the Governmental Accounting Standards Board (GASB) criteria.

##### **Basis of Presentation:**

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the Agency's nonfiduciary assets and liabilities, with the differences reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Basis of Presentation (continued):**

Government-wide Financial Statements (continued) – The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The Agency reports the following major governmental funds:

- The General Fund is the general operating fund of the Agency. All general revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support, and other costs.
- The Special Revenue Fund is used to account for programs where the Agency employs teachers to provide instruction to juvenile home program students and to special education pupils. The actual costs of providing instructional services to the pupils are reimbursed by the State of Iowa for the juvenile home program and are billed to the individual school districts for special education instruction.

The Agency reports the following major proprietary fund:

- The Agency's proprietary fund is the Enterprise Fund. This fund is used to account for activities that are performed as a service to staff and consists primarily of vending machine operations.

The Agency also serves as custodian of certain funds on behalf of other organizations. Such amounts are maintained in fiduciary funds which, because they are not direct assets or liabilities of the Agency, are not reported in the accompanying financial statements.

#### **Measurement Focus and Basis of Accounting:**

The Government-wide financial statements and the proprietary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Measurement Focus and Basis of Accounting (continued):**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Government fund expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences, are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds that can be paid using either restricted or unrestricted resources, the Agency's policy is to pay the expenditure from restricted fund balance and then from, less-restrictive classifications – committed, assigned, and then unassigned fund balances.

The Proprietary fund of the Agency applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency's enterprise fund is charged to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Assets, Liabilities and Fund Equity:**

Cash, Pooled Investments and Cash Equivalents – Cash includes amounts in demand deposits and money market funds. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust (ISJIT) that is valued at amortized cost that approximates fair value.

All short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Inventories – Inventories are stated at cost using the first-in, first-out (FIFO) method and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption. The amounts on hand at the financial statement date are reflected in the balance sheet as an asset.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities column in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 5,000
Buildings	20,000
Improvements other than buildings	20,000
Furniture and equipment	5,000
Media collection	5,000

Additionally, the entire media collection will be considered in aggregate.

Property, furniture and equipment are depreciated using the straight-line method of depreciation over the following useful lives:

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Lives (In Years)</u></b>
Buildings	50
Improvements other than buildings	20-50
Furniture and equipment	5
Media collection	5-15

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Assets, Liabilities and Fund Equity (continued):**

Accrued Payroll and Related Expenses - Payroll and related expenses for certified staff and other employees with annual employment contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Deferred revenue represents an excess of cash advances by the funding sources over accrued expenditures at year-end.

Accrued Compensated Absences - Agency employees accumulate a limited amount of earned-but-unused vacation and sick leave hours for subsequent use, or in the case of vacation leave, for payment upon resignation, retirement, death or termination. The liability for compensated absences for accrued vacation has been computed based on current rates of pay in effect at June 30, 2011. Agency policy requires that the carryover of accrued vacation leave must be used by June 30 of the ensuing fiscal year, and has therefore recorded the entire amount as a current liability in the general fund.

Long-term Obligation – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable* – Amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Directors through resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same action it employed to commit these amounts.

*Unassigned* – All amounts not included in other spendable classifications.

Restricted Net Assets – In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### **Budgets and Budgetary Accounting:**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. CASH AND POOLED INVESTMENTS

The Agency's deposits in banks at June 30, 2011 were entirely covered by Federal depository insurance or by the State sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers' acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency has investments in the Iowa Schools Joint Investment Trust Diversified Portfolio that are valued at an amortized cost of \$4,988,429 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

Credit risk - The investment in the Iowa Schools Joint Investment Trust is rated Aaa by Moody's Investors Service.

### NOTE 3. IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The Agency participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each participating entity is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is trustee of the program.

The Agency pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The Agency must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. A summary of the Agency's ISCAP activity for the year ended June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2010-2011A	6/30/2010	6/23/2011	\$ -	\$ 2,600,000	\$ 2,600,000	\$ -

During the year ended June 30, 2011, the Agency paid \$809 of interest on the ISCAP warrants.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 90,604	\$ -	\$ -	\$ 90,604
<b>Total capital assets, not being depreciated</b>	90,604	-	-	90,604
Capital assets being depreciated:				
Improvements other than buildings	11,074	-	-	11,074
Buildings and improvements	2,255,493	-	-	2,255,493
Furniture and equipment	473,380	8,010	-	481,390
Media collection	3,657,440	300,744	245,071	3,713,113
Vehicles	124,050	-	-	124,050
<b>Total capital assets, being depreciated</b>	6,521,437	308,754	245,071	6,585,120
Less accumulated depreciation for:				
Improvements other than buildings	11,074	-	-	11,074
Buildings and improvements	1,252,104	55,216	-	1,307,320
Furniture and equipment	260,549	56,367	-	316,916
Media collection	1,957,395	360,495	245,071	2,072,819
Vehicles	68,614	20,364	-	88,978
<b>Total accumulated depreciation</b>	3,549,736	492,442	245,071	3,797,107
<b>Total capital asset being depreciated, net</b>	2,971,701	(183,688)	-	2,788,013
<b>Governmental activities - capital assets, net</b>	\$ 3,062,305	\$ (183,688)	\$ -	\$ 2,878,617

Depreciation expense was charged to functions of the Agency as follows:

Governmental activities:	
Student support services	\$ 379,876
Instructional staff support services	5,032
General administration	21,318
Plant operations and maintenance	75,580
Central and other support services	10,636
<b>Total governmental activities depreciation expense</b>	<u>\$ 492,442</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance End of Year</b>
Early retirement obligation	\$ 28,656	\$ -	\$ 28,656	\$ -
Net OPEB liability	542,880	98,120	-	641,000
	<u>\$ 571,536</u>	<u>\$ 98,120</u>	<u>\$ 28,656</u>	<u>641,000</u>
Portion due within one year				<u>-</u>
Portion due after one year				<u>\$ 641,000</u>

The Agency no longer has an Early Retirement policy.

### NOTE 6. OPERATING LEASES

The Agency has leased various facilities within the area and also has a rental agreement for a copy machine. These leases have been classified as operating leases and accordingly, all rents are charged to expenditures as incurred. The leases expire between June 30, 2011 and June 30, 2019. Certain leases are renewable for additional periods and most are noncancelable. Certain leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2011.

<b>Year Ending June 30,</b>	
2012	\$ 159,605
2013	161,434
2014	132,372
2015	133,272
2016	59,169
Thereafter	<u>176,400</u>
<b>Total</b>	<u>\$ 822,252</u>

The total rental expenditures for the year ended June 30, 2011 for all operating leases were \$169,508.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

In fiscal 2010/11 Plan members were required to contribute 4.50% of their annual covered salary and the Agency was required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the year ended June 30, 2011 was \$1,151,011.

### NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description The Agency operates a single-employer retiree benefit plan that provides medical and prescription drug benefits for retirees and their spouses. There are 329 active and 24 retired members in the plan. Participants must be age 55 or older at retirement.

The medical and prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Agency, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation:

Annual required contribution	\$ 219,000
Interest on net OPEB obligation	24,000
Adjustment to annual required contribution	(21,000)
Annual OPEB cost	<u>222,000</u>
Contributions made	<u>(123,880)</u>
Increase in net OPEB obligation	98,120
Net OPEB obligation beginning of year	<u>542,880</u>
Net OPEB obligation end of year	<u><u>\$ 641,000</u></u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the Agency contributed \$3,937,830 to the medical plan. Plan members eligible for benefits contributed \$184,465 or 4.5% of the premium cost.

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 222,000	55.86%	\$ 641,000

Funded Status and Funding Progress As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1.932 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.932 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$16,497,000, and the ratio of the UAAL to covered payroll was 11.71%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections for benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 11.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 0.5% each year until reaching the 5.0% ultimate trend rate.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions (continued) Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$883 per month for retirees less than age 65. The Agency does not have any retirees on the medical plan who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

### NOTE 9. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### NOTE 10. REORGANIZATION

Effective July 1, 2010, as a result of a voluntary reorganization plan, Green Valley Area Education Agency 14 merged with Loess Hills Area Education Agency 13. The newly merged Agency, effective fiscal year beginning July 1, 2010, is called Green Hills AEA and is serving the same school districts as served by each of the individual Agencies prior to the merger.

### NOTE 11. RESTATEMENT

Effective July 1, 2010, net assets of the Agency were restated to adjust capital assets in accordance with the merged Agency's capital asset policy. Net assets and capital assets were reduced by \$177,426 to exclude assets pursuant to the Agency's capital asset policy as disclosed in Note 1.



## **GREEN HILLS AEA**



## **REQUIRED SUPPLEMENTARY INFORMATION**

**GREEN HILLS AEA****STATEMENT OF REVENUES, EXPENDITURES/EXPENSES AND  
CHANGES IN BALANCES -- BUDGET AND ACTUAL --****ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND****Required Supplementary Information****Year Ended June 30, 2011**

	<b>Governmental Fund Types Actual</b>	<b>Proprietary Fund Types Actual</b>	<b>Total Actual</b>
Revenues:			
Local sources	\$ 9,723,204	\$ 559	\$ 9,723,763
State sources	11,174,471	-	11,174,471
Federal sources:	12,644,302	-	12,644,302
<b>Total revenues</b>	<b>33,541,977</b>	<b>559</b>	<b>33,542,536</b>
Expenditures/Expenses:			
Current:			
Instruction	3,184,684	-	3,184,684
Student support services	13,067,477	-	13,067,477
Instructional staff support services	7,110,133	-	7,110,133
General administration	3,114,317	-	3,114,317
Business administration	607,828	-	607,828
Plant operations and maintenance	922,693	-	922,693
Central and other support services	1,820,340	-	1,820,340
Community Services	148,338	-	148,338
Pass through to LEAs	2,170,808	-	2,170,808
Non instructional programs	-	526	526
<b>Total expenditures/expenses</b>	<b>32,146,618</b>	<b>526</b>	<b>32,147,144</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>1,395,359</b>	<b>33</b>	<b>1,395,392</b>
Balance, beginning of year	2,962,599	4,461	2,967,060
Balance, end of year	\$ 4,357,958	\$ 4,494	\$ 4,362,452

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Budget		Final to Actual
Original	Final	Variance
\$ 12,107,647	\$ 11,370,428	\$ (1,646,665)
10,820,535	11,206,310	(31,839)
18,318,751	13,900,785	(1,256,483)
41,246,933	36,477,523	(2,934,987)

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5,190,098	4,392,615	1,207,931
13,861,916	13,069,070	1,593
9,726,449	8,127,856	1,017,723
4,164,959	3,825,439	711,122
762,450	691,907	84,079
925,021	1,018,992	96,299
2,631,042	2,118,030	297,690
71,800	153,544	5,206
4,614,932	2,171,417	609
20,000	20,000	19,474
41,968,667	35,588,870	3,441,726

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(721,734)	888,653	506,739
2,105,044	2,967,060	-
\$ 1,383,310	\$ 3,855,713	\$ 506,739

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**GREEN HILLS AEA**  
**June 30, 2011**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**

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The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents function disbursements by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

For the year ended June 30, 2011, the Agency's expenditures/expenses did not exceed the approved budget.



**GREEN HILLS AEA****Schedule of Funding Progress for the Retiree Health Plan (In Thousands)****Required Supplementary Information**

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
2011	7/1/2010	\$ -	\$ 1,932	\$ 1,932	0.00%	\$ 16,497	11.71%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.



## **OTHER SUPPLEMENTARY INFORMATION**



**CHANGES IN ASSETS AND LIABILITIES --**  
**FIDUCIARY FUND TYPE - AGENCY FUND**  
**Year Ended June 30, 2011**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 291,487	\$ 786,844	\$ 887,233	\$ 191,098
Other receivable/prepaid expense	3,848	22,291	3,848	22,291
<b>Total assets</b>	<b>\$ 295,335</b>	<b>\$ 809,135</b>	<b>\$ 891,081</b>	<b>\$ 213,389</b>
<b>Liabilities</b>				
Accounts payable	\$ 125,578	\$ 853,114	\$ 871,040	\$ 107,652
Deposits held in custody for others/ deferred revenue	169,757	740,496	804,516	105,737
<b>Total liabilities</b>	<b>\$ 295,335</b>	<b>\$ 1,593,610</b>	<b>\$ 1,675,556</b>	<b>\$ 213,389</b>

**GREEN HILLS AEA****Schedule 2****DEPARTMENT OF PUBLIC HEALTH GRANTS****Year Ended June 30, 2011**

Comprehensive Substance Abuse Prevention - East Region	\$ 78,011
Comprehensive Substance Abuse Prevention - West Region	177,682
Prevention Through Mentoring	47,210
Youth Mentoring Program	17,632
Youth Development Project	47,140
Drug & Violence Prevention	<u>33,746</u>
<b>Total direct expenditures</b>	401,421
Distribution of delivery and central support expenditures	22,114
Distribution of administration and plant operations and maintenance	<u>8,004</u>
<b>Total expenditures</b>	431,539
Phase II portion of Teacher Quality funding	941
Funding received or due from Department of Public Health	<u>379,315</u>
Expenditures paid from Agency General Funds and Conference Revenues	<u><u>\$ 51,283</u></u>



**DEPARTMENT OF HUMAN SERVICES GRANTS**  
**Year Ended June 30, 2011**

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**School Based Supervision Programs:**

## Revenue:

Juvenile Court Services	\$	124,177	
Juvenile Court Services accrual at June 30, 2010		225,823	
Local School District		383,279	
<b>Total revenue</b>			\$ 733,279

## Expenditures:

Direct expenditures	699,760	
Indirect cost	33,519	
<b>Total expenditures</b>		733,279
		\$ -

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2011**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantor's Number</b>	<b>Expenditures</b>
<b>U. S. Department of Education:</b>			
Passed-through Iowa Department of Education:			
Education of Handicapped Act (EHA) Part B: 94-142:			
Special Education - Grants to States (IDEA, Part 3) -			
Early Childhood Education for the Handicapped	84.027	101113	\$ 5,825,506
Early Childhood Education for the Handicapped - ARRA	84.391	RKB1	1,690,327
Early Childhood Education LEA Flow Through	84.027	1KB2-13	2,170,808
Special Education - Preschool Grants (IDEA			
Preschool) - Section 619, Ages 3-5	84.173	1011619-13	357,545
Special Education - Preschool Grants (IDEA			
Preschool) - Section 619, Ages 3-5 - ARRA	84.392	R619-13	184,744
IQPPS Verification Visits	84.173	030611	3,630
Special Education - Grants for Infants and Families			
with Disabilities - 94-142 Part C:			
IDEA, Part C, Infants and Toddlers	84.181	0KC-13	335,010
IDEA, Part C, Infants and Toddlers - ARRA	84.393	RC-13	168,847
Training & Technical Assistance to Early Childhood Staff,			
IDEA, Part C, Infants and Toddlers	84.181	37511	1,500
Professional Development - ARRA Stabilization Funds	84.394		6,681
Special Education - Grants to States (IDEA, Part 3) -			
Miscellaneous 94-142:			
Model Schools Initiative	84.027	9K72-MS	308,412
Parent Educator Project	84.027	07413	157,684
Improving Secondary Results for Youth with Disabilities	84.323A	SPDG-13	44,416
Iowa Safe & Supportive Schools	84.184Y	Q184100013	2,195
Perkins Career and Technical Education	84.048		207,577
Reading First	84.357		7,984
Title III ELL/LEP	84.365	ELA 10-007	157,712
Technology Literacy Challenge/E2T1	84.318		40,777
Alternate Assessment Program	84.373	002211	166,493
Ed Tech Online/eCurriculum Initiative	84.386		1,458
Service Learning/ComServ Iowa	94.004	11SLGHAEA	2,503
Received from U. S. Department of Education:			
Fund for the Improvement of Education	84.215K		421,752
<b>Total Department of Education</b>			<b>12,263,561</b>

(Continued on next page)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
<b>Received from the University of Iowa:</b>			
Efficacy of the Science Writing Heuristic Approach	84.305		\$ 40,000
<b>Received from Central College:</b>			
Science Pioneer Grant	84.366		62,648
<b>Received from Department of Corrections:</b>			
Equipment and Teacher Reimbursement	84.391		7,063
<b>U. S. Department of Health and Human Services:</b>			
Passed-Through Iowa Department of Public Health:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Comprehensive Prevention	93.959		224,286
Drug and Violence Prevention	84.186B		33,746
Passed-Through Iowa Department of Human Services:			
Medical Assistance Program -			
Title 19 Medicaid Reimbursement:			
Title 19 Medicaid Reimbursement	93.778		3,706
Part C Infants and Toddlers Reimbursement	93.778		9,292
<b>Total Department of Health and Human Services</b>			<b>271,030</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 12,644,302</b>

**Basis of Presentation** – the Schedule of Expenditures of Federal Awards includes the federal grant activities of Green Hills AEA and is presented on the modified accrual basis. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



**GREEN HILLS AEA**

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Green Hills AEA  
Council Bluffs, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Green Hills AEA (the "Agency"), as of and for the year ended June 30, 2011, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Agency, and other parties to whom the Agency may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Green Hills AEA during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schnurr & Company, LLP*

Fort Dodge, Iowa  
November 21, 2011



**GREEN HILLS AEA**

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors of  
Green Hills AEA  
Council Bluffs, Iowa

**Compliance**

We have audited Green Hills AEA's (the "Agency") compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Green Hills AEA's major federal programs for the year ended June 30, 2011. The Agency's major federal programs are identified in Part 1 of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## **Internal Control Over Compliance**

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the Agency's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Agency and other parties to whom the Agency may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Schnurr & Company, LLP*

Fort Dodge, Iowa  
November 21, 2011

## **GREEN HILLS AEA**

### **Schedule of Findings and Questioned Costs Year Ended June 30, 2011**

#### **Part I: Summary of Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) No reportable conditions in internal control over compliance with requirements applicable to major federal award programs were disclosed by the audit.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings required to be reported by OMB Circular A-133, Section 510(a).
- (g) The major programs were:
  - Clustered programs:
    - ◆ Early Intervention Services Cluster:
      - CFDA Number 84.181 – Special Education – Grants for Infants and Families
      - CFDA Number 84.393 – Special Education – Grants for Infants and Families, Recovery Act
    - ◆ Special Education Cluster:
      - CFDA Number 84.027 – Special Education – Grants to States
      - CFDA Number 84.173 – Special Education – Preschool Grants
      - CFDA Number 84.391 – ARRA – Special Education Grants to States, Recovery Act
  - CFDA Number 84.215K – Funds for the Improvement of Education
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Green Hills AEA qualified as a low-risk auditee.

#### **Part II: Financial Statement Findings Section:**

None.

#### **Part III: Findings and Questioned Costs For Federal Awards:**

None.

**GREEN HILLS AEA**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2011**

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-11    Budget: Expenditures during the year ended June 30, 2011 did not exceed the amounts budgeted.
- IV-B-11    Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-11    Travel Expense: No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- IV-D-11    Business Transactions: No business transactions between the Agency and Agency officials or employees were noted.
- IV-E-11    Bond Coverage: Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-11    Board Minutes: No transactions requiring Board approval were noted which had not been approved.
- IV-G-11    Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.
- IV-H-11    Certified Annual Report: The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-I-11    Categorical Funding: No instances were noted of categorical funding used to supplant rather than supplement other funds.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Green Hills AEA during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schnurr & Company, LLP*

Fort Dodge, Iowa  
November 21, 2011